

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7299

BILL NUMBER: HB 1791

NOTE PREPARED: Mar 27, 2003

BILL AMENDED: Mar 24, 2003

SUBJECT: Internet Cigarette Sales.

FIRST AUTHOR: Rep. Hasler

FIRST SPONSOR: Sen. Miller

BILL STATUS: As Passed - Senate

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill requires a merchant who sells tobacco products to a person in Indiana through direct mail, telephone, or the Internet to: (1) ensure that the customer is at least 18 years of age; and (2) pay the state cigarette and tobacco tax or provide notice that the customer is responsible for the unpaid state taxes on the cigarettes and tobacco products. The bill establishes penalties for violations.

Effective Date: July 1, 2003.

Explanation of State Expenditures: (Revised) The Department of State Revenue and the Alcohol and Tobacco Commission (ATC) are expected to be able to absorb any additional costs incurred as a result of this bill.

Explanation of State Revenues: (Revised) *Cigarette Tax Revenue:* The bill would require merchants who sell tobacco products through direct mail, the telephone, or the Internet to report monthly sales information to the Department of State Revenue. The bill also requires the merchants to either pay the state's Cigarette Tax or post a notice stating that purchasers are required to pay the state Cigarette Tax. The impact of these provisions on Cigarette Tax collections is unknown. Cigarette Tax revenue is deposited in the state General Fund (83.97%), the Mental Health Fund (0.94%), the Cigarette Tax Fund (6.60%), and the Pension Relief Fund (8.49%).

Penalty Provision: This bill establishes requirements for the ordering, shipment, and receipt of cigarettes obtain through direct mail or the Internet. The bill provides merchants who violate the bill's notice requirement and reporting requirements are subject to civil penalties ranging from \$1,000 to \$10,000 depending upon the frequency in which the provisions are violated. Additionally, the bill allows the ATC to impose a civil penalty of up \$1,000 against persons who violate the provisions related to the sale of tobacco to minors. Any fine revenue received would be deposited into the Youth Tobacco Education and Enforcement Fund. The Fund is administered by the ATC and is currently funded with fine revenue collected

from retailers that sell tobacco products to minors. The Fund is used for excise officer training, retailer education, and for the prevention of youth smoking.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Alcohol and Tobacco Commission; Department of State Revenue

Local Agencies Affected:

Information Sources:

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